

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6158

BILL NUMBER: SB 89

DATE PREPARED: Oct 29, 1998

BILL AMENDED:

SUBJECT: Prohibit vending machine sales of lottery tickets.

FISCAL ANALYST: Kristin Breen

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill prohibits the sale of lottery tickets from instant ticket vending machines after June 30, 1999. It provides that the sale of lottery tickets from instant ticket vending machines after June 30, 1999, is a Class A misdemeanor. It also provides that the possession of an instant ticket vending machine after July 31, 1999, is a Class A misdemeanor.

Effective Date: Upon passage; July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues: This bill prohibits the sale of lottery tickets from instant ticket vending machines after June 30, 1999. The elimination of these machines will likely decrease the total number of lottery retailers, total ticket sales, and lottery net income. Between FY 94 and FY 98, the lottery had an average net income of approximately \$180 million per year. Absent any impact from this bill, it is estimated that net income will remain constant in FY 2000 and FY 2001.

It is estimated that there are 700 instant ticket vending machines in the state. A conservative estimate of ticket sales generated by each vending machine is approximately \$1,000 per week. Therefore, the estimated yearly sales for the 700 machines would be approximately \$36.4 million. Approximately 30% of total sales revenue goes to the state as net income. Based on the assumption that vending machine sales would have remained constant, it is estimated that the state could lose approximately \$10.9 million in net income each year starting in FY 2000.

Each year, lottery revenue is first transferred to the Teachers' Retirement Fund (\$30 million) and the Pension Relief Fund (\$10 million). Surplus lottery revenue is then deposited in the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund (BIF). A statutorily-determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within

the state General Fund. A portion of money remaining in the LGSA is then transferred to the State and Local Capital Projects Account (SLCPA) within the BIF. Projected lottery net income is shown below.

Projected Lottery Net Income and Distributions: FY 2000 & FY 2001

| | With Vending Machines | Without Vending Machines |
|---------------------------------|----------------------------------|-------------------------------------|
| Projected Lottery Net Income | 180.0 | 169.1 |
| Teachers' Retirement Fund | (30.0) | (30.0) |
| Pension Relief Fund | (10.0) | (10.0) |
| Surplus Lottery Revenue to LGSA | 140.0 | 129.1 |

Along with projected revenue from the riverboat wagering tax, the pari-mutuel wagering tax, and charity gaming, it is estimated that there will be sufficient revenue in the LGSA for distributions to MVETRA and the SLCPA.

This bill also provides that the sale of lottery tickets from instant ticket vending machines after June 30, 1999 and the possession of an instant ticket vending machine after July 31, 1999, is a Class A misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund could increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, county or municipal court (courts of record), 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: A Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed, and if collected would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed, and if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Lottery Commission

Local Agencies Affected: Trial courts; local law enforcement agencies.

Information Sources: Diane Balk, Lottery Commission, 264-4940.